

CITY OF PULLMAN
Whitman County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. Accounting Controls Over Water-Sewer Utilities Fund's Fixed Assets Should Be Implemented As Documented In The City's Policies And Procedures Manual

As reported in prior audits, the following instances of noncompliance with the federal laws or regulations are considered both material and reportable conditions:

- a. Detailed subsidiary listings of the utilities' fixed assets are not maintained with sufficient information to determine the valuation basis. The annual physical inventories of the city's fixed assets are incomplete. The resulting documentation is insufficient to verify the existence, location, and condition of property owned by the city on a timely basis.
- b. The city's written policies and procedures for fixed asset record maintenance have not been uniformly implemented.

The "Common Rule," Subpart C, Section __.32(d)(1) states:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Because these weaknesses exist, the city is unable to:

- a. Fix responsibility for safeguarding fixed assets.
- b. Fix responsibility for custody and proper use of fixed assets.
- c. Properly manage fixed assets.
- d. Prepare complete and accurate financial reports.
- e. Ensure federal financial assistance compliance with the "Common Rule" administrative requirements of Section 32, Equipment.

Discussions with the city's finance director indicate that the city has contracted with asset valuation specialists to resolve these issues.

We again recommend:

- a. The city establish a valuation basis for the utilities' fixed assets; and
- b. The city's formal policies and procedures for fixed assets be implemented.

2. The City Should Establish An Integrated Grant Accounting System

The city's accounting system does not adequately identify the use of grant funds. Expenditures reported in the requests for reimbursement prepared from departmental records did not always agree to the grant expenditures as recorded in the centralized accounting system.

The *Budgeting, Accounting, and Reporting Systems (BARS)* manual, Volume 1, Part 3, Chapter 5, page 1 states in part:

OMB Circular A-128 "Audits of State and Local Governments," established many specific audit requirements, and in turn these requirements necessitate the following accounting procedures.

1. Grant accounting must be integrated with the recipient's general accounting records so claims for reimbursements or advances are supportable by the books and records.

Staffing and software limitations have restricted the city's establishment of the account coding structure necessary to accomplish the required integrated grant accounting. Without integrated grant accounting, the city is unable to assure that costs are not double billed or cross charged to more than one grant, or that the centralized accounting records will agree with the specific grant files.

We recommend the city establish and implement an integrated grant accounting system.